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SUBJECT: FICO'S LIBYA TRIP A COMMERCIAL SUCCESS

¶1. (SBU) Summary. Prime Minister Robert Fico's February 20-22 delegation to Libya focused on commercial objectives, primarily gaining Slovak military and infrastructure contracts in Libya as repayment for Libya's debt to Slovakia. Initial press reports indicate that Libya and Slovakia reached preliminary agreements on aircraft repair contracts, and made promises of much greater investments down the road. Commercial aspects of Fico's visit have received less international press attention that the PM's comments on Bulgarian nurses (see reftel), but the delegation's composition and interests (profiled here) provide insight into motives for Fico's comments and his broader foreign policy objectives. End Summary.

Official Side

¶2. (SBU) Prime Minister Fico's visit to Libya was officially designed to find a means of repayment for Libya's communist-era debt to Slovakia, which is estimated at 130 million USD. Fico hopes to restructure the debt by securing infrastructure and military sales contracts, in many cases renewing old Czechoslovak business relationships from 1970s and 1980s. To meet these objectives, he assembled an unusually large and high-profile delegation led by Minister of Economy Lubomir Jahnatek (to press for new contracts) and Ministry of Finance State Secretary Peter Kazimir (to renegotiate foreign debt). The Ministry of Foreign Affairs was represented by State Secretary for Economic Affairs Olga Algayerova.

Business Side

¶3. (SBU) The private business component of the delegation was perhaps even more high-powered, representing a range of interests including Slovak oil, gas, aircraft repair, general military/arms sales, boiler production, water purification, and the spa industry. Aircraft repair companies came hoping to secure contracts in return for payment of Libya's debt to the GOS; the same might be said for Slovak boiler production, water purification, and military sales companies. The role of Slovakia's oil and gas company representatives is more nebulous and seemingly political in nature. Slovak spas have been offered as a carrot for Libyan investment. In any case, Slovak companies are eager to access the Libyan market. Sources at SARIO (the Slovak government investment agency) and the trade company EBD told Emboff that they see Libya as Slovakia's strongest growth market in the Middle East for the immediate future. The delegation members are listed below:

- Miroslav Vyboh is General Director and owner of Willing, a Zvolen-based military material company specializing in anti-tank and anti-aircraft systems, spare parts for ground combat vehicles, ammunition and small arms sales, aircraft repair, and testing/repair of missiles and rockets. Willing has contracts in over 50 countries, including several with Slovakia's Ministries of Defense and Interior. The company

also procures materials for the Slovak Ministry of Defense, including three rockets from Russia in 2006. Media sources indicate that Willing has already been trading with the Libyan government since 2004, but we don't know what it might be selling. Closely connected with Smer, media reports indicated that Vyboh needed intervention by Minister of Interior Robert Kalinak to pass emergency legislation so that he could get a security clearance for the Libya trip. He had been denied clearance twice in the past two years for undisclosed reasons.

- Ozskar Vilagi, CEO of Slovnaft, is the most powerful businessman in the delegation. Slovnaft announced prior to the trip that it "hopes to partner with Libyan businesses in the oil industry," but media speculation suggests that Vilagi is accompanying Fico in order to curry favor with the new government. An ethnic Hungarian and executive board member of Slovnaft's Hungarian parent company, MOL, Vilagi is considered the primary financial backer of the SMK party. With SMK out of power, Vilagi has been removed from boards of two state industries and a wide range of his private business interests are under pressure. In January, Vilagi struck a deal with primary Smer financier Juraj Siroky to sponsor Slovakia's hockey leagues. This trip ban be seen as more of the same political maneuvering, but also as a serious attempt to seek opportunities to diversify Slovnaft/MOL oil interests away from Russia.

- Milan Filo accompanied the delegation as Chairman of Eco-Invest, a Slovak holding company owning everything from Slovak banks to paper mills to meatpacking. A business partner of Vilagi, in the past year Filo has placed many of his associaties on the board of Slovakia's state gas distribution company SPP, and was likely really representing SPP on this trip. Strongly connected to Smer party backers,

Eco-Invest announced it would construct a new pulp factory in Russia one week after Jahnatek visited Moscow. The partial owner of 17 Slovak companies, including Markiza TV, Filo is increasingly perceived as one of PM Fico's primary benefactors. It is in unclear what SPP or Eco-Invest interest in Libya might be.

- Dusan Rychtarik is General Director of Letecke Opravovne Trencin, an aircraft repair and manufacturing company which, in its pre-1989 form, held long-term contracts with the Libyan government. (Many Slovak air force officers were also instructor pilots in Tripoli until the mid-1990s). LOT would like to revive contracts both for repair of aging aircraft and for sales of new equipment.

- Jan Brandner is Director of the Letecke Opravovne Banska Bystrica branch.

- Stanislav Elias is Director and reportedly partial owner of Kupele Bojnice, a Slovak spa. Embassy sources indicate that the GOS has been courting Middle Eastern investment in its spa industry as part of the Slovak government's outreach to the region's governments and businesses. In January, the Ministry of Economy made a similar sales pitch to a visiting Saudi prince. Historically, Slovak spas have attracted clients from Middle Eastern countries, but fewer in recent years. Slovak spa (and sports team) owners are often co-owners of other companies, so spa (or sports team) ownership can be offered on investor-friendly terms in exchange for other business favors.

- Jan Kukucka is a board member for SES Tlmace, Slovak's top designer and producer of steam boilers for power and heating plants using fossil, liquid and gas fuels. SES Tlmace recently won a major construction contract for building boilers in the Chinese Shen Tou Power plant, which is being built for Beijing in anticipation of the 2008 Olympics. SES Tlmace is looking for similar contracts in Iraq. Kukucka also accompanied Fico on his recent China trip.

- Milan Spano serves as CEO of EBD, a contracting firm appointed by the GOS to coordinate terms of Slovak company sales to Middle Eastern companies, particularly Iraq. EBD has had some recent success in identifying Slovak water treatment companies of interest to the Iraqi government and related firms. Spano believes these and other Slovak companies have greater potential in Libya, based on the country's needs, finances, and security situation. EBD is actually a Florida-based firm and Spano is an American citizen, despite his poor English skills.

- Milan Michalik is a Board Member of BEZ Group, a diversified Slovak company that purchased a water purification system manufacturer in 2006. BEZ Group has been trying to break into the Middle Eastern market for municipal water purification, but has not had any visible success thus far.

Commercial Results

¶4. (SBU) According to initial Slovak press reports, Libyan Prime Minister El Babdadi Ali Mahmudi confirmed on February 23 that Slovakia and Libya reached preliminary agreement that Slovak companies would obtain contracts for repairing Libyan airplanes. The details will be negotiated by experts on both sides, and no connection to debt repayment was specified. Mahmudi also confirmed Libya's interest in investing up to 50 billion USD in Slovakia over the next 20 years in the form of real estate, tourism/spas, construction and the oil industry. In addition, Libya offered Slovakia the opportunity to bid on tenders for various government contracts that reportedly total over 30 billion USD. The specific contracting opportunities were not specified.

¶5. (SBU) Comment. Given the range of Slovak business interests who see dollar signs in Libya and the massive hypothetical sums being casually discussed, it is not surprising that Fico commented on the Bulgarian nurse situation as he did. He wanted to send a message to both Kaddafi and Slovak businesses that commercial interests are the most important component of his foreign policy, then clean up any potential messes with the international community afterward. Since Fico appears to walk away from Libya with significant preliminary agreements in hand, it will likely strengthen Fico's inclination to believe that potential commercial opportunity trumps even rhetorical attention to human rights issues during his foreign visits. In any case, Slovakia and Libya will likely draw closer economically based on Fico's visit. End Comment.

VALLEE